

VIRGINIA:

120000113

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX GAS COMPANY LLC

DIVISION OF GAS  
AND OIL DOCKET  
NO. 93-0216-0325-23

RELIEF SOUGHT: MODIFICATION OF THE OAKWOOD I  
COAL BED GAS FIELD RULES ORDER  
OCGB 3-90, AS AMENDED, TO ALLOW  
MORE THAN ONE COALBED GAS WELL  
TO BE DRILLED IN THE UNITS  
IDENTIFIED ON EXHIBIT A1 HERETO

LEGAL DESCRIPTION: DRILLING A31, A32, A33, B32, B33, B40, B41, B42, C33,  
C39, D32, YYY32, YYY33, ZZZ31, ZZZ32, ZZZ33, ZZZ34; LOCATED IN  
BUCHANAN COUNTY, VIRGINIA; SEE ANNEXED EXHIBIT A1 AND STATE  
PLANE COORDINATE DESCRIPTION AT PARAGRAPH 7.h. WITHIN

**REPORT OF THE BOARD  
FINDINGS AND ORDER**

1. Hearing Date and Place: This matter came for final hearing before the Virginia Gas and Oil board (hereafter "Board") at 9:00 a.m. on March 15, 2011 at the the Russell County Conference Center, Lebanon, Virginia.

2. Appearances: Mark A. Swartz, Esquire, of the firm of Swartz Law Offices, PLLC, appeared for the Applicant; and Sharon M.B. Pigeon, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to sections 45.1-361.1 *et seq.*, Virginia Code, as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by the Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by Applicant as a potential owner of the coalbed methane gas underlying the area described at paragraph 7.h below and in Exhibit A1 attached hereto; and (2) has given notice to all parties so identified (hereinafter

sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, as amended, to notice of this Application, and (3) that the persons listed in the Notice of Hearing are the persons so identified by the Applicant. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B., Virginia Code, as amended. Whereupon, the Board hereby finds that the notices given satisfy all statutory requirements, Board rule requirements and the minimum standards of State due process.

4. Amendments and Dismissals: None.

5. Relief Requested: (1) Modification of the Oakwood I Coalbed Gas Field Rules to allow more than one coalbed methane gas well to be drilled within each of the Oakwood Field Drilling Units identified above and in **Exhibit A1** attached hereto; and (2) for an administrative order providing that additional well permits may be issued in the Oakwood I Field after this Application is filed and while it is pending.

6. Relief Granted: Available data and the evidence adduced at the hearing support Applicant's position that the production from the pool underlying the Oakwood I Coalbed Gas Field Drilling Units in question would be enhanced and benefit from in-field drilling; accordingly,

a. With regard to the Drilling Units described above and in **Exhibit A1** hereto, OGCB 3-90 is hereby amended to allow the Board's Designated Unit Operator in Drilling Units pooled by Board Order and the Well Operator/Permittee in voluntary Drilling Units to drill a total of two wells, said total to include any previously permitted wells, within the units affected by the Application and this Order;

b. In the event that an additional coalbed methane gas well(s) permitted and drilled after the entry of this order is located within the drilling window(s) of an Oakwood I Coalbed Gas Field Drilling Unit affected by this order, the production therefrom shall be solely attributed to and allocated to the Oakwood I Coalbed Gas Field Drilling Unit within which the wells are located. Such well(s) will be subject to any existing pooling orders, and no further Board appearance or action will be required;

c. In the event a second well is proposed that is to be located outside the drilling window of any Oakwood I Coalbed Gas Field Unit affected by this order and a permit application is submitted to the Division of Gas and Oil seeking such location exception, the Inspector shall assess the permit as follows:

(i) If an 80-acre square with the proposed well at its center lies entirely within Oakwood I Drilling Units which are voluntary in nature and are not subject to existing pooling orders, the Inspector

may grant or deny the location exception on a case-by-case basis according to standard procedures and provisions of the Oakwood I Field Order which allow wells to be drilled outside drilling windows; or

(ii) If an 80-acre square with the proposed well at its center lies entirely or partially within any Oakwood I Drilling Unit(s) which is subject to existing pooling orders, the Inspector shall refer the permit application to the Board for its recommendations concerning correlative rights considerations, modification of pooling orders, and escrow provisions. Alternatively, the Unit Operator may present a pooling proposal directly to the Board prior to filing a permit application. No permit under this paragraph ii. shall be issued until the Board has acted on the matter.

7. Special Findings:

- a. Applicant's proposed field rule modification is not an unreasonable or arbitrary exercise of the owner's right to explore for or produce gas;
- b. The Applicant's proposal would not unreasonably interfere with the present or future mining of coal or other minerals;
- c. The acreage to be embraced in the Drilling Units affected by and/or created by this Modification Order shall be as set forth above and in **Exhibit A1** attached hereto.
- d. The formations subject to this Modification Order are described in OGCB 3-90, as amended.
- e. The boundaries of the 80-acre Drilling Units are the same as heretofore established by OGCB 3-90, as amended.
- f. Unit Operator's production simulations indicate that drilling of an additional well in each Unit could facilitate the recovery of an additional 250,000 MCF of gas per Unit within 10 years of drilling.
- g. The boundaries of any 80-acre Drilling Units created subsequent to this Modification Order shall be according to paragraph 6.c.ii. above and as defined by Board action specific to individual units.
- h. The acreage subject to this Modification Order is depicted in **Exhibit A1** hereto and is more specifically described as follows:

**Units YYY32, YYY33, ZZZ31, ZZZ32, ZZZ33, ZZZ34, A31, A32, A33, B32, B33, C33, D32**

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:370084.270 E1003626.830 feet to a point; S:87°52'48" E 3728.64 feet to a point; S:02°09'19" W 1865.28 feet to a point; S:88°04'31" E 1868.23 feet to a point; S:02°05'42" W 1858.92 feet to a point; N:88°09'28" W 1867.26 feet to a point; S:02°04'25" W 5608.93 feet to a point; N:87°52'19" W 1865.47 feet to a point; S:02°05'32" W 1871.80 feet to a point; N:87°52'11" W 1864.36 feet to a point; N:02°05'42" E 1871.73 feet to a point; S:87°52'19" E 1864.28 feet to a point; N:02°05'32" E 1871.90 feet to a point; N:87°52'27" W 1864.19 feet to a point; N:02°05'42" E 1870.96 feet to a point; N:87°52'33" W 1867.36 feet to a point; N:02°05'54" E 3736.01 feet to a point; S:87°36'25" E 1867.97 feet to a point; N:02°04'13" E 1865.28 feet to a point of beginning, containing +/- 1039.40 acres

**Units B40, B41, B42, C39**

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:363942.350 E1018335.980 feet to a point; S:87°52'33" E 5588.60 feet to a point; S:02°03'00" W 1871.51 feet to a point; N:87°52'28" W 5589.27 feet to a point; S:02°04'12" W 1872.45 feet to a point; N:87°52'19" W 1866.46 feet to a point; N:02°04'22" E 1872.38 feet to a point; S:88°03'40" E 1866.37 feet to a point; N:02°04'14" E 1865.28 feet to a point of beginning, containing +/- 320.34 acres

- i. Having considered the evidence presented, the Board found no reason to establish any allowable production rates for the wells contemplated by this Modification Order;
- j. Except as herein specifically modified, the proposed Drilling Units more fully described above and in **Exhibit A1** attached hereto shall be developed and produced in compliance with OGCB 3-90, as amended.
- k. This Modification Order shall be effective as of the date of the hearing, to-wit: **March 15, 2011**.

8. **Conclusion:** The relief granted hereby will assist in enhancing production from existing wells, will assist in more efficiently recovering coalbed methane gas from the area in question, will prevent waste, and will continue to protect the correlative rights of all owners and claimants. Therefore, the relief and all terms and provisions set forth above be and are hereby granted and IT IS SO ORDERED.

DONE AND EXECUTED this 19 day of December, 2011, by a majority of the Virginia Gas and Oil Board.

Bradley C. Lambert  
Chairman, Bradley C. Lambert

DONE AND PERFORMED this 19<sup>th</sup> day of December, 2011, by Order of the Board.

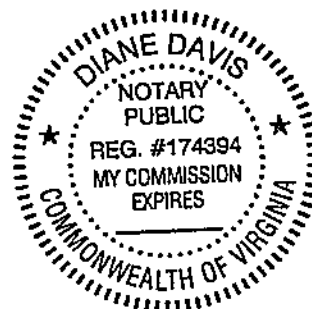
Rick Cooper  
Rick Cooper  
(Acting) Principal Executive to the Staff, Virginia Gas and Oil Board

STATE OF VIRGINIA  
COUNTY OF RUSSELL

Acknowledged on this 19<sup>th</sup> day of Dec, 2011, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley C. Lambert, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, and appeared Rick Cooper, being duly sworn did depose and say that he is Acting Principal Executive to the Staff of the Virginia Gas and Oil Board that they executed the same and were authorized to do so.

Diane Davis  
Diane Davis, Notary Public  
174394

My commission expires: September 30, 2013



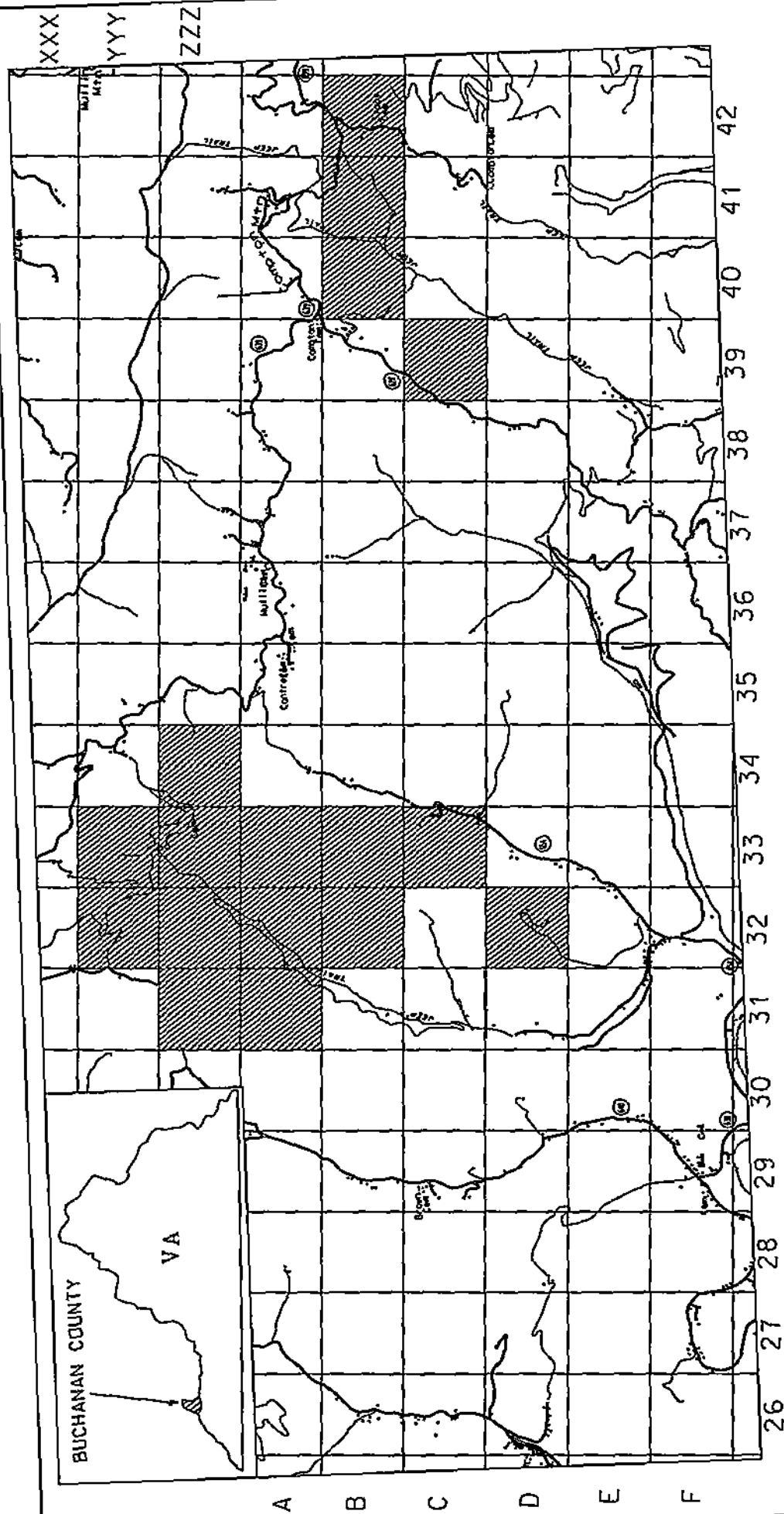


EXHIBIT A1  
OAKWOOD FIELD MODIFICATION  
VGOB 93-0216-0325-23

\$16.00  
BU

INSTRUMENT #120000113  
RECORDED IN THE CLERK'S OFFICE OF  
BUCHANAN COUNTY ON  
JANUARY 23, 2012 AT 02:32PM

BEVERLY S. TILLER, CLERK  
RECORDED BY: GGB